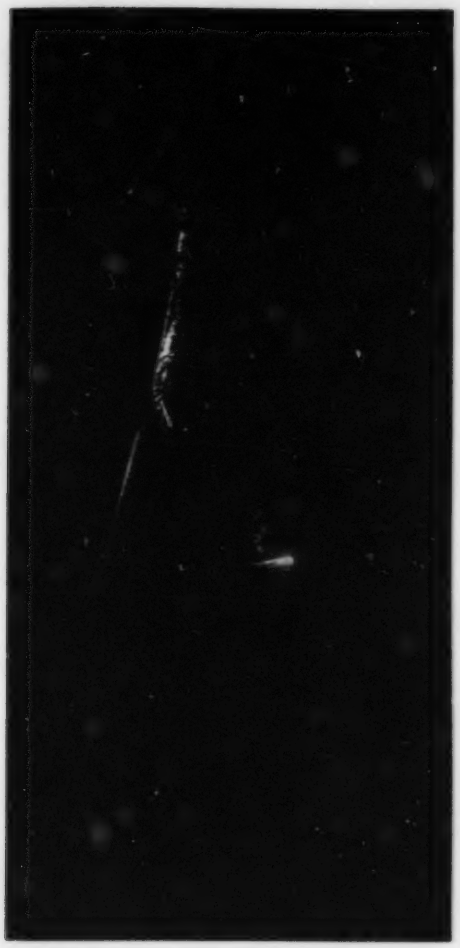
ANNUAL REPORT



1991

SASKATCHEWAN POWER CORPORATION

Regina
March 1992

To Her Honour
Sylvia Fedoruk
Lieutenant Governor
of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 1991, including the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of the corporation, all in accordance with The Power Corporation Act.

I have the honour to be, Madam,
Your obedient servant,

Dwain Lingenfelter
Minister Responsible
Saskatchewan Power Corporation

92-05598/

SaskPower has experienced a number of changes over the past year. A change in government in the last quarter of 1991 resulted in some internal administrative alterations in the corporation. In addition to dealing with the financial and operational achievements during 1991, I would like to briefly outline new corporate directions which I feel are necessary if we are to maintain the financial health and integrity of SaskPower.

The challenges ahead will mean some changes in the way we do things at SaskPower. There will be new policy directions, innovative programs and restructuring of some internal departments as we build a stronger and more efficient organization.

In the short time since the change-over in administration, we introduced a number of significant fiscal restraint measures, most of which will take effect during 1992. Like everyone else in Saskatchewan, we too are stretching our dollars to help ease the impact of our economic slump.

One example of a cost-saving measure was the decision to send both customer bills in one envelope, resulting in a combined saving for SaskPower and SaskEnergy of $750,000 in annual mailing costs. With the co-operation of all employees, our corporate management team also deferred and cancelled many expenditures which they felt would not cause customer service disruptions.

Financial scrutiny will not affect service to our customers. SaskPower will be vigilant in controlling operating costs and capital spending. Already we have targeted several critical financial areas which will be further scrutinized during the 1992 operating year.

SaskPower has always been a national leader in the field of electrical generation and distribution. I know that personally, because I served as the minister in charge and as a board member of SaskPower for 10 years. Customers have always relied on us in times of emergency to quickly restore service. That human aspect, the community of people pulling together for a common goal in times of crisis, will not change. It's a part of our service we are proud to give.

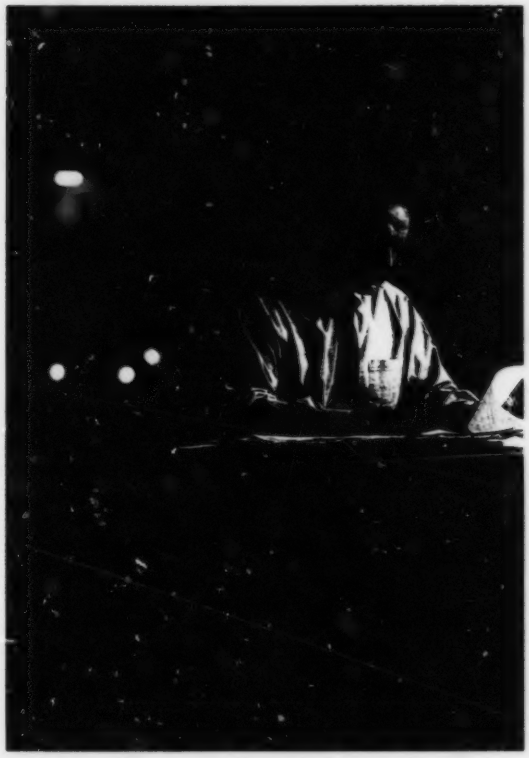
New initiatives will be implemented to help all customers reduce their cost of electricity through energy efficiency and demand side management programs.

Through these initiatives, SaskPower estimates that by the end of the decade it will be saving 425 megawatt-hours of electrical energy annually. This is more than the amount of electricity used by the city of Moose Jaw in one year. In addition, SaskPower will continue to look for new opportunities for saving electricity.

Our forecasts indicate that by the late 1990s, Saskatchewan will require new supplies of electrical energy. With the completion of the 300 megawatt

Shand Power Station in July 1992, SaskPower must soon make a decision on its next electrical supply source.

SaskPower's executive is evaluating the mix of options put forward by the Saskatchewan Electrical Energy Options Review Panel. In choosing future energy sources for the province, SaskPower has the benefit of input from residents across Saskatchewan.



JOHN R. MESSER

Agriculture plays a key role in our province's economic prosperity, and SaskPower is sensitive to the needs of the farm industry. SaskPower will step up its program to install new underground services to provide safer and more reliable electrical service for farmers.

From all indications, the industrial sector – the fastest growing and largest category of electricity users – will be placing a heavy demand on our utility over the next few years. We will ensure that we are able to meet this growing demand.

SaskPower employees strive to become more customer conscious in their daily contact with customers. In the last two years, all SaskPower employees attended core training courses designed to enhance customer relations awareness. This renewed focus will help us serve our customers better.

We have also increased our emphasis on safety training for employees and for the employees of contractors involved in the higher risk electrical construction projects. SaskPower's excellent safety record is reflected in the reduced Workers' Compensation rate assessment.

In the coming year we will provide leadership, strength and foresight in our planning and programs.

John R. Messer,
President and Chief Executive Officer

SASKPOWER BOARD OF DIRECTORS
(AT DECEMBER 31, 1991)

Honourable Dwain Lingenfelter, Chairman
Minister Responsible for SaskPower
Regina

Honourable Louise Simard
Minister of Health
Minister in charge of Status of Women
Regina

Honourable Ed Tchorzewski
Deputy Premier
Minister of Finance
Regina

Honourable Robert Mitchell, QC
Minister of Justice and Labour
Saskatoon

SASKPOWER EXECUTIVE
(AT DECEMBER 31, 1991)

John R. Messer
Acting President and
Chief Executive Officer

Carole Bryant
Acting Executive Vice-President

Harvey Jim, CA
Senior Vice-President, Finance

Bob Lawrence, P.Eng.
Senior Vice-President, Operations

Ed Beechinor
Vice-President, Marketing

Ken Birch, P.Eng.
Vice-President, Power Production

Ron Bruce, CGA, CIA
Vice-President, Internal Audit

Lauren Carlson, P.Eng.
Vice-President, Major Projects

Vern Fowke, FCA
Vice-President, Corporate Services
and Communication

Tony Harras, P.Eng.
Vice-President, Planning

Kevin Mahoney
Vice-President, Human Resources

G. Keith Rever, P.Eng.
Vice-President, Transmission and
Distribution

C. Larry Ruddell, CA
Vice-President and Controller

Robert Walker
Vice-President, Environment

SASKPOWER BOARD OF DIRECTORS
(PRIOR TO OCTOBER 1991)

Honourable George McLeod
Minister Responsible for SaskPower,
Vice-Chairman
Meadow Lake

Donald Stankov, FCA
Chairman
Regina

Alfred E. Bechard
Sedley

Wally Blaisdell
Regina

Barry D. Bridges
Estevan

B. Ross Giles, CA
Regina

Edward A. Laurence
Yorkton

Monty N. Manning
North Battleford

Patricia Y. Olynik
Moose Jaw

Laura Smith
Pathlow

Glenn R. Thorpe
Yorkton

SASKPOWER EXECUTIVE
(PRIOR TO NOVEMBER 14, 1991)

George D. Hill, QC
President and Chief Executive
Officer

(PRIOR TO NOVEMBER 21, 1991)

Nicholas Kaufman, QC
Vice-President, Law

SaskPower achieved another successful year in 1991. The corporation generated a profit of $118 million which was comparable with 1990. SaskPower's strong financial condition enabled the corporation to avoid a general rate increase for the second consecutive year. No other electrical utility in Canada can match this accomplishment.

Revenue of $674 million was unchanged from 1990. Sales of electrical energy were 1.3 percent higher than 1990 but this was offset by the full-year impact of rate reductions to small commercial customers. Rate reductions were implemented in 1990 to make these businesses more competitive with similar operations in Manitoba and Alberta.

The cost of fuel was $127 million, an increase of $5 million over 1990. This increase reflects higher prices for lignite coal which was partially offset by lower-cost hydro generation.

Finance charges were $119 million compared to $135 million in 1990. This was the lowest level in a decade. For each dollar of revenue only 18 cents was used to pay finance charges, compared to 20 cents in 1990 and 42 cents in 1986. The improvement was due to a stronger Canadian dollar, lower interest rates, increased capitalization of interest charges mainly for the Shand project, and higher sinking fund earnings.

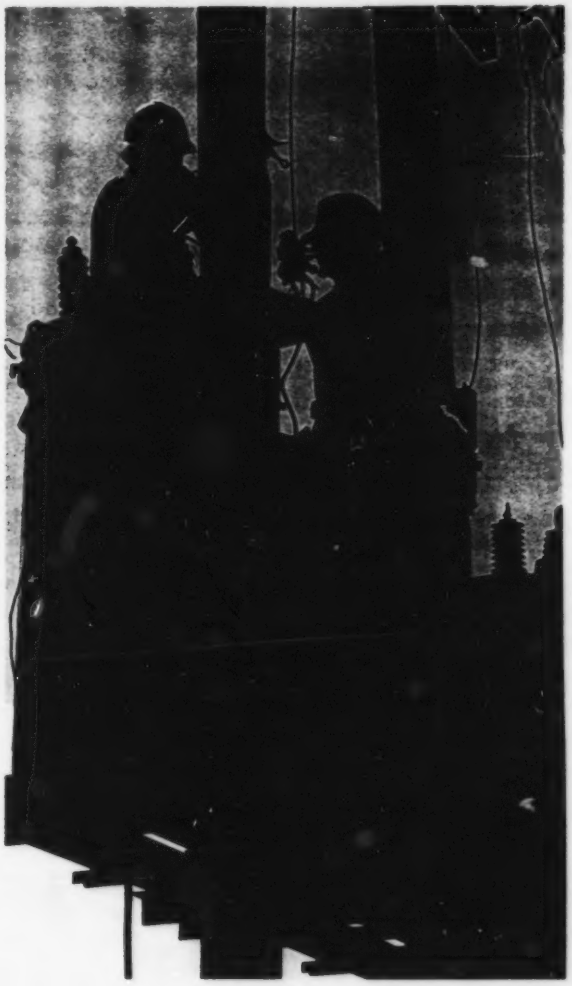
Capital expenditures totalled $365 million compared to $291 million in 1990. Approximately half of the capital program was expended on Shand and related transmission projects. A major portion of these expenditures was financed from a very successful SaskPower savings bond issue in 1991. The Series VII issue totalled $173 million and pays an interest rate of 9.125 percent per annum. This was the largest regular bond issue in the corporation's history.

INCOME FROM OPERATIONS

87 88 89 90 91

FINANCE CHARGES

DEBT AND CAPITAL STRUCTURE



Serving customers well is a priority.

TRANSMISSION AND DISTRIBUTION

During 1991, SaskPower constructed the northern transmission line between Island Falls Hydroelectric Station and Points North Landing in northeast Saskatchewan. The steel pole line was completed and energized in November 1991. A transmission line will soon link three small hydro stations near Uranium City to the Island Falls station, providing greater reliability of service to northern customers.

Construction of a high-voltage transmission line from a switching station near North Battleford was completed to serve a new pulp mill at Meadow Lake. At year end, a second line from the North Battleford area was under construction to provide increased electrical capacity for the heavy oil upgrader at Lloydminster.

SaskPower is building a transmission line from the new Shand Power Station to a switching station near Peebles, located 130 km east of Regina.

The long-term Rural Underground Distribution program continued in full force. During 1991, SaskPower installed underground electric service to 2,636 rural customers and buried 3,544 km of cable. The cost of the 1991 program was $27.08 million.

In 1992, the corporation will provide underground electrical service to 3,291 farm customers at an estimated cost of $35 million. Construction will start in May.

Customer relations is important in all areas of SaskPower's operation. During 1991, SaskPower introduced a customer bill which is easier to read and contains rate calculations to help customers understand their bill. SaskPower also instituted a preauthorized payment plan to better accommodate customers.

Shand Power Station nears completion.

Power Production

For the second consecutive year, above normal snowfall in the mountain regions resulted in higher than normal water flows through our hydro stations on the Saskatchewan River system. This provided a much needed cushion against the costs of lignite coal and natural gas used in our thermal power stations.

The capability of using more hydro generation allowed the corporation to complete maintenance work on some of its thermal stations.

Several projects to upgrade three older generating stations were undertaken during 1991. At the Queen Elizabeth Power Station at Saskatoon, unit number two steam turbine was overhauled and a new coupling – manufactured locally – was installed between the high pressure and low pressure turbines.

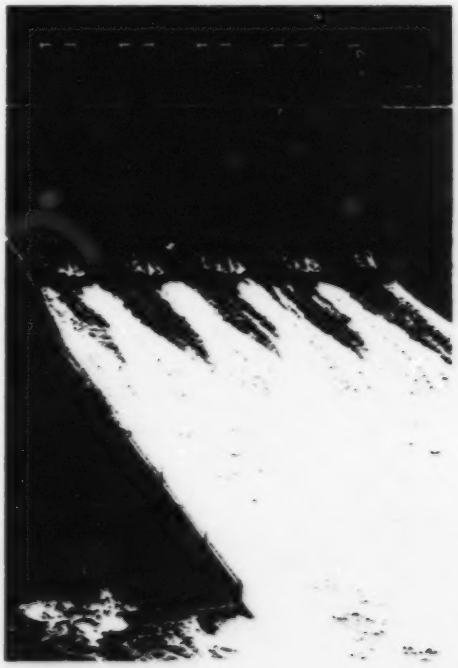
At Boundary Dam Power Station near Estevan, an ash water recirculating system was installed to increase the station's environmental efficiency. SaskPower also installed water lances in one of the boilers to effectively remove slag from the water wall tubes of the boiler. The process substantially increased the output of the generating unit. Another project in 1991 included a major refurbishing of the natural gas-fired power station at Landis.

The annual system net peak demand reached 2,286 megawatts on January 8, 1991. The record is 2,423 MW set in 1989. Thermal generating stations produced 66.4 percent of our electricity, hydro stations 31.3 percent and 2.3 percent was imported from utilities in Manitoba, Alberta and North Dakota.

Major Construction

At year end, construction of the Shand Power Station near Estevan was in the final stages of completion, with commissioning of all components in progress. The 300 MW station, which has been under construction for five years, will begin producing electricity in July 1992. Shand, one of Canada's most environmentally advanced coal-fired power stations, is being built using 66 percent of materials and 88 percent of labour supplied from Saskatchewan sources. When completed, Shand will cost $516 million.

Rafferty Dam, a water supply source for Shand, was completed during the year.



Spilling water at E.B. Campbell Hydroelectric Station.

Solar energy fuels a water pump on this Saskatchewan farm.

ENERGY OPTIONS

SaskPower is evaluating the recommendations put forth by the Saskatchewan Electrical Energy Options Review Panel.

The report provides information on a wide range of options available in Saskatchewan including: coal, hydro, natural gas, nuclear, biomass, wind, solar and co-generation as well as increased emphasis on conservation. Each of these options has economic and environmental advantages and constraints which must be considered in the decision-making process.

High priority will be given to cost-effective and efficient energy conservation programs which will help defer the need for additional generating capacity. The corporation is developing procedures to facilitate co-generation projects and developing a strategy for clean coal technology.

With the completion of Shand unit number one, the corporation will have sufficient electricity to reliably supply its customers until the mid 1990s.

ENVIRONMENT

The focal point of SaskPower's planning is its statement of environmental principles: *A commitment to our shared environment*. The statement declares our intent to promote the efficient use of energy, develop environmental awareness, and consider the implications of all our activities on the environment.

All SaskPower projects and activities – whether they involve constructing power plants, building powerlines or purchasing materials – are reviewed and analyzed to minimize their environmental implications.

SaskPower continues to lead the electrical industry with innovative projects. One such project was constructing a greenhouse on the Shand site to grow one million tree seedlings each year to be transplanted throughout the province. These trees will absorb carbon dioxide and release oxygen into the atmosphere, as well as assist in wildlife habitat enhancement and water table stabilization.

Other green projects include LIFAC technology to reduce sulphur dioxide emissions at the Shand and Poplar River power stations, the installation of a closed loop water cooling system at Shand and an ash water recirculating system at Boundary Dam Power Station.

Seedlings at SaskPower's Shand Greenhouse.

Marketing And Energy Sales

Encouraging new development opportunities throughout the province was an important part of our marketing strategy during 1991. SaskPower participated in regional economic conferences and seminars, greatly assisting communities which sought our advice.

There are a number of marketing services available to assist SaskPower customers. PowerSmart is a new Canada-wide program formed to promote energy conservation, demand side management and energy efficient appliance programs.

Our energy auditing staff completed 90 energy audits and sponsored numerous energy management seminars. The energy audit program resulted in savings to customers estimated at $600,000 in 1991.

During the year, SaskPower promoted ground source heat pumps, farm yard light conversions, residential timers and compact fluorescent lighting programs. SaskPower attended 44 farm, home, trade and industrial shows within the province, including active participation in the *Advanced House* sponsored by the Saskatchewan Home Builders' Association.

Human Resources

The Human Resources Group is a service-oriented department. Internally, it is responsible for safety development, labour relations, selection and recruitment of employees and the administration of employee compensation and benefits programs. The Human Resources Group is also responsible for external safety programs and inspections of gas and electric installations.

During 1991, SaskPower emphasized training employees in areas of customer relations, personal development and upgrading vocational skills. Not only is change constant in our society, so is the increasing number of choices and decisions we face daily. Employees need sufficient knowledge to make reasoned and correct choices in their jobs.

The training centre at Weyburn was renovated to provide better facilities for trades training.

Due to SaskPower's excellent safety record, the provincial Workers' Compensation Board has reduced its assessment rate, resulting in direct financial savings to SaskPower.

Energy audits help customers conserve power.

Management is responsible for the integrity of the financial data reported by the corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data in accordance with generally accepted accounting principles in Canada which are consistently applied, with any exceptions specifically described in the financial statements.

Management uses internal accounting controls, offers guidance through corporate-wide policies and procedures and exercises its best judgment in order that such statements reflect fairly the financial position, results of operations and changes in cash position.

In order to gather and control financial data, the corporation has established accounting and reporting systems supported by internal controls and an internal audit program. In establishing systems of internal control, management weighs the cost of such systems against the benefits that it believes can be derived. Management believes that the existing internal controls provide reasonable assurance that assets are safeguarded and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

Ernst & Young, Chartered Accountants, have audited the Saskatchewan Power Corporation's statements of financial position as at December 31, 1991 and the related statements of income and retained earnings and changes in cash position for the year then ended. Their responsibility is to express an opinion on the fairness of management's financial statements. The Auditors' Report outlines the scope of their audit and their opinion.

In ensuring that management fulfills its responsibility for financial reporting and internal control, the Board of Directors discusses audit and financial reporting matters with representatives of management, the internal auditors and the external auditors. The Board has reviewed the financial statements with Ernst & Young and has reviewed the Annual Report in advance of its release and has approved its content and authorized its publication.

On behalf of Management,

John R. Messer
President and Chief Executive Officer

Harvey Jim, CA
Senior Vice-President,
Finance

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statements of financial position of Saskatchewan Power Corporation as at December 31, 1991 and the statements of income and retained earnings and changes in cash position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst + Young

Regina, Saskatchewan
February 7, 1992

Chartered Accountants

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 1991 (in millions)

ASSETS	1991	1990
Property, plant and equipment		
Property, plant and equipment (note 2)	**$3,113**	$2,935
Less: Accumulated depreciation and depletion	**958**	870
	2,155	2,065
Construction in progress	**541**	363
	2,696	2,428
Current assets		
Accounts receivable and unbilled revenue	**94**	94
Inventories	**70**	77
	164	171
Other assets and deferred costs	**91**	170
	$2,951	$2,769

Approved on behalf of the Board:

, Director

, Director

LIABILITIES AND EQUITY	1991	1990
Long-term debt		
Advances from the Province of Saskatchewan (note 3)	$1,266	$1,328
Saskatchewan Power Corporation Savings Bonds (note 4)	286	242
	1,552	1,570
Less equity in sinking funds (note 3)	261	254
Long-term debt net of sinking funds	1,291	1,316
Less amounts due within one year (note 3)	183	313
	1,108	1,003
Current liabilities		
Bank indebtedness	–	3
Short-term advances from the Province	240	79
Accounts payable and accrued liabilities	148	160
Long-term debt due within one year	183	313
Dividends payable	60	119
	631	674
Other liabilities and deferred income	231	229
Equity (note 11)		
Equity advances	826	826
Retained earnings	155	37
	981	863
	$2,951	$2,769

See accompanying notes

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1991 (in millions)

	1991	1990
Revenue		
Sales to customers	**$674**	$675
Costs and expenses		
Cost of electricity	**127**	122
Operating, maintenance and administration	**213**	207
Depreciation and depletion	**97**	93
	437	422
Income from operations before finance charges	**237**	253
Finance charges (note 6)	**119**	135
Net income	**118**	118
Retained earnings, beginning of year (note 11)	**37**	210
Dividends (note 5)	**-**	(291)
Retained earnings, end of year	**$155**	$ 37

See accompanying notes

STATEMENTS OF CHANGES IN CASH POSITION

FOR THE YEAR ENDED DECEMBER 31, 1991 (in millions)

	1991	1990
Cash from operations available for debt servicing and capital expenditures (note 7)	**$ 339**	$352
Cash used for debt servicing		
Gross interest payments	**215**	197
Principal repayments	**143**	(65)
Sinking fund installments	**7**	7
	365	139
Net cash available for capital expenditures	**(26)**	213
Cash used for capital expenditures		
Additions to property, plant and equipment	**365**	291
Less interest capitalized	**(39)**	(20)
Other	**(4)**	(11)
	322	260
Net cash deficiency before dividends and financing	**(348)**	(47)
Dividends paid	**(59)**	(172)
Net cash deficiency before financing	**(407)**	(219)
Cash from financing and other sources (note 8)	**249**	127
Decrease in cash	**(158)**	(92)
Cash position (indebtedness), beginning of year	**(82)**	10
Cash position (indebtedness), end of year	**$(240)**	$ (82)
Cash position (indebtedness) at end of year consists of:		
Cash and short-term investments	**$ 44**	$ -
Bank indebtedness and short-term advances	**(284)**	(82)
	$(240)	$ (82)

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1991

The Corporation was established pursuant to The Power Corporation Act, passed on April 8, 1950. In accordance with the provisions of this Act, the Corporation's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

1. ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with generally accepted accounting principles and conform in all material respects with International Accounting Standards, except that there is no provision for income taxes as they are not levied on earnings of Crown Corporations. The following policies are considered to be significant:

(a) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and include direct material, interest, labor and overhead costs.

The costs of renewals and enhancements which extend the economic useful life of assets are capitalized. On partial disposal of an asset, the cost less the proceeds of sale is charged to accumulated depreciation. When a complete asset is retired, a gain or loss is recognized in the statement of income.

Costs associated with modifications to property, plant and equipment as a result of environmental concerns are capitalized as part of the cost of plant in service and are depreciated over the remaining useful life of the related asset.

Maintenance and repair costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Depletion of coal properties is calculated using the unit of production method based on estimated proven reserves.

(b) CAPITALIZATION OF INTEREST

Interest associated with major capital and development projects is capitalized during the construction period at the Corporation's weighted average interest rate of long-term borrowings in the current year.

(c) INVENTORIES

Stores inventories, consisting of maintenance material, supplies and plant repair parts, are recorded at average cost. Coal and other fuel are recorded at cost on a first-in, first-out basis.

(d) Investments

Long-term investments in shares are stated at cost except when there has been a loss in value that is other than temporary, the investment is written-down to market.

(e) Contributions In Aid Of Construction

Contributions in aid of construction consist of funds received relating to new service connections. These contributions are classified as deferred income and are amortized over the estimated service life of the related asset.

(f) Revenue Recognition

Revenue is recognized when electrical services are delivered to customers. The estimate of services rendered but not billed is included in unbilled revenue.

(g) Foreign Currency Translation

Transactions denominated in a currency other than Canadian dollars are translated to Canadian dollars by applying exchange rates in effect at the transaction date. At year end, monetary assets and liabilities denominated in a foreign currency are adjusted using the exchange rate at that date. Any resulting exchange gains and losses are included in the statement of income in the current period. Unrealized exchange gains and losses on long-term monetary items are deferred and amortized on a straight-line basis over the remaining life of the asset or liability.

(h) Amortization Of Discount And Issue Expenses

Debt discount and issue expenses are amortized on a straight-line basis over the term of the respective debt issue.

(i) Pension Plans

The Corporation provides for pension plans for substantially all employees. One of the plans is a money purchase plan and the amount to be contributed is determined by the Superannuation (Supplementary Provisions) Act. The other plan is a defined benefit plan and the contributions are based on actuarial valuations.

The cost of pension benefits in the defined benefit plan is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. This cost reflects best estimates of the expected investment yields, salary adjustments, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees.

2. PROPERTY, PLANT AND EQUIPMENT (in millions)

	Depreciation Rate %	1991 Cost	1991 Accumulated Depreciation & Depletion	1990 Cost	1990 Accumulated Depreciation & Depletion
Generation Plant					
Thermal	3.80	$ 745	$323	$ 730	$295
Hydro	2.03	762	140	754	125
Other	3.54	24	12	24	11
Transmission	1.82	438	123	383	115
Distribution	3.87	958	274	869	245
Other	5.72	186	86	175	79
		$3,113	$958	$2,935	$870

	1991	1990
Composite depreciation and depletion rates	3.23%	3.24%
Interest capitalized		
Amount included in property, plant and equipment	$328	$289

3. ADVANCES FROM THE PROVINCE OF SASKATCHEWAN (in millions)

	1991	1990
Canadian Dollar		
Issues with interest rates of 7.75 to 13.00%, weighted interest rate of 10.63%	$ 513	$ 513
Canadian Dollar		
Issues callable upon six-months notice with interest rates of 9.26 to 14.06%, weighted interest rate of 11.94%	221	221
U.S. Dollar		
Issues with interest rates of 8.625 to 15.625%, weighted interest rate of 10.99%, par value of $459 million U.S. (1990 - $509 million U.S.)	532	594
	$1,266	$1,328

Maturities of the advances for the next five years all relate to the U.S. Dollar Issues and are $170 million in 1992 and no maturities in 1993 to 1996.

Certain advances from the Province require the establishment of sinking funds which, upon maturity of the respective advances, are applied to the principal amounts to be repaid. The equity in sinking funds amounted to $261 million at December 31, 1991 ($254 million at December 31, 1990). Sinking fund installments payable for the next five years are $7 million per year.

The current portion of long-term debt consists of:

	1991	1990
Advances from the Province of Saskatchewan, net of sinking fund installments and applications	**$177**	$185
Saskatchewan Power Corporation Savings Bonds (note 4)	**6**	128
	$183	$313

4. SASKATCHEWAN POWER CORPORATION SAVINGS BONDS

Saskatchewan Power Corporation Savings Bonds issued and outstanding are as follows (in millions):

Series	Issue Date	Maturity Date	Issue Interest Rate	Amount Outstanding **1991**	Amount Outstanding 1990
V	July 6, 1988	July 6, 1991	9.25%	**$ 1**	$ 30
VE	July 6, 1988	July 6, 1991	9.25%	**1**	97
VI	July 6, 1990	July 6, 1993	12.75%	**111**	115
VII	July 6, 1991	July 6, 1994	9.125%	**173**	-
				$286	$242

The interest rates on all Series can be increased upon the approval of the Lieutenant Governor in Council and can be decreased for Series VI only to a minimum of 10.5%. The interest rate on Series VE bonds was increased to 10.5% effective January 6, 1989. Effective July 6, 1990, the interest rate on Series V bonds was increased to 12.75%. The interest rate on Series VI bonds was decreased to 10.5% effective January 6, 1991. The Bonds are subject to early redemption semi-annually until maturity at the option of the bondholder. Bonds redeemed January 6, 1992 in the amount of $4 million ($1 million January 6, 1991) are classified as long-term debt due within one year.

5. DIVIDENDS

In 1990, the Corporation declared a dividend of $291 million, including a special dividend in the amount of $60 million.

6. FINANCE CHARGES (in millions)

	1991	1990
Gross interest expense	**$215**	$197
Less amounts capitalized	**39**	20
	176	177
Amortization of:		
Foreign exchange	**(7)**	(8)
Debt discount and issue expense	**2**	1
	(5)	(7)
	171	170
Less:		
Sinking fund earnings	**34**	28
Interest income	**16**	9
Net gain on exchange of Saskoil shares for SaskPower Series VE Bonds, including write-down of investments to market	**2**	-
Other	**-**	(2)
	52	35
Finance charges, net	**$119**	$135
Interest Rate Used in Capitalization	**9.225%**	12.75%

7. Cash From Operations (in millions)

The components of cash from operations are as follows:

	1991	1990
Income from operations before finance charges	**$237**	$253
Interest income	**16**	9
Charges to operations not requiring an outlay of cash:		
Depreciation and depletion	**97**	93
Other	**(6)**	-
	344	355
Net change in non-cash working capital:		
Accounts receivable and unbilled revenue	**-**	2
Inventories	**7**	(2)
Accounts payable and accrued liabilities	**(12)**	(3)
	(5)	(3)
Cash from operations	**$339**	$352

8. Cash From Financing And Other Sources (in millions)

The components of cash from financing and other sources are as follows:

	1991	1990
Saskatchewan Power Savings Bonds	**$173**	$115
Advances from the Province	**115**	-
Other	**18**	8
Proceeds on sale of Saskatchewan Energy	**-**	72
	306	195
Redemption of Saskatchewan Power Savings Bonds net of proceeds on the exchange of Saskoil shares for Series VE Bonds in 1991	**57**	68
Cash from financing and other sources	**$249**	$127

9. COMMITMENTS AND CONTINGENCIES

(a) At December 31, 1991, the Corporation was committed in the amount of approximately $644 million for construction materials, equipment, forward exchange and other financial contracts, and on contracts and services not completed at that time. At 1991 prices, the Corporation had forward commitments of $1,866 million extending up to 33 years for coal contracted for future minimum deliveries.

(b) The Corporation is contingently liable as endorser of certain promissory notes due 2003, arising from the sale of a dragline. In addition, the Corporation is contingently liable for lease payments on certain leased mining equipment, which was assumed by the purchaser of a mining operation. The lease expires in 2005. The total amount of the contingencies is $73 million.

10. PENSION PLAN

The pension fund assets in 1991 amounted to $405 million, which approximated the actuarially-determined present value of accrued pension benefits.

11. RESTATEMENT

In 1989, the Corporation sold its investment in its wholly-owned subsidiary to a related company. The gain on sale of the investment of $226 million was recorded previously as an extraordinary item and included in retained earnings. As the investment was sold to a related party, the gain has been restated and shown as an equity advance. As a result, equity advances have been increased by $226 million and retained earnings have decreased by the same amount.

12. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statements of financial position and are settled in normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

13. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with the presentation in 1991.

ELECTRIC OPERATIONS 10-YEAR FINANCIAL SUMMARY (in millions)

	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
Revenue	**$674**	$675	$683	$639	$565	$510	$471	$432	$376	$333
Costs and expenses										
Fuel, water and purchased electricity	**127**	122	123	125	97	86	108	89	85	76
Operating, maintenance and administration	**213**	207	186	159	150	158	159	149	140	132
Depreciation	**97**	93	90	83	79	70	58	57	50	46
	437	422	399	367	326	314	325	295	275	254
Income before finance charges	**237**	253	284	272	239	196	146	137	101	79
Finance charges	**119**	135	140	204	216	214	167	165	128	108
Income (loss) from continuing operations	**$118**	$118	$144	$ 68	$23	$ (18)	$ (21)	$(28)	$(27)	$(29)

FINANCIAL SUMMARY

	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
Property, plant & equipment (in millions)										
Property, plant & equipment in service	**$3,113**	$2,935	$2,836	$2,673	$2,541	$2,449	$1,955	$1,691	$1,686	$1,415
Construction in progress	**541**	363	179	135	78	48	366	408	320	323
Property, plant & equipment, gross	**3,654**	3,298	3,015	2,808	2,619	2,497	2,321	2,099	2,006	1,738
Accumulated depreciation	**(958)**	(870)	(785)	(705)	(635)	(562)	(505)	(456)	(419)	(384)
Property, plant & equipment, net	**$2,696**	$2,428	$2,230	$2,103	$1,984	$1,935	$1,816	$1,643	$1,587	$1,354
Growth over prior year (%)	**11.03**	8.88	6.04	6.00	2.53	6.55	10.53	3.53	17.21	13.12
Capital expenditures ($)	**365**	291	221	180	128	189	231	232	294	231
Sources & uses of cash (in millions)										
Cash from operations	**$ 339**	$ 352	$ 413	$ 355	$ 290	$ 348	$ 230	$ 82	$ 172	$ 133
Debt servicing	**(365)**	(139)	(404)	(425)	(325)	(432)	(246)	(238)	(212)	(164)
	(26)	213	9	(70)	(35)	(84)	(16)	(156)	(40)	(31)
Capital expenditures, net of interest capitalized	**(322)**	(260)	(214)	(155)	(136)	(183)	(188)	(197)	(259)	(207)
Financing, net of dividends	**190**	(45)	174	226	172	267	258	252	293	387
Increase (decrease) in cash	**$ (158)**	$ (92)	$ (31)	$ 1	$ 1	$ —	$ 54	$ (101)	$ (6)	$ 149
Finance charges as a percent of revenue (%)	**17.66**	20.00	20.50	31.92	38.23	41.96	35.46	38.19	34.04	32.43